

103D CONGRESS  
1ST SESSION

# S. 347

To amend the Internal Revenue Code of 1986 to promote long-term investment and economic growth in the manufacturing sector, restore capital gains incentives, encourage research and experimentation, restore and make permanent the exclusion for employer-provided educational assistance, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 4 (legislative day, JANUARY 5), 1993

Mr. RIEGLE introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to promote long-term investment and economic growth in the manufacturing sector, restore capital gains incentives, encourage research and experimentation, restore and make permanent the exclusion for employer-provided educational assistance, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE; REFERENCE.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Manufacturing Revitalization Incentives Act of 1993”.

1 (b) REFERENCE.—Except as otherwise expressly pro-  
 2 vided, whenever in this Act an amendment or repeal is  
 3 expressed in terms of an amendment to, or repeal of, a  
 4 section or other provision, the reference shall be consid-  
 5 ered to be made to a section or other provision of the In-  
 6 ternal Revenue Code of 1986.

7 **TITLE I—PROMOTION OF ECO-**  
 8 **NOMIC GROWTH IN THE MAN-**  
 9 **UFACTURING SECTOR**

10 **SEC. 101. SPECIAL ALLOWANCE FOR MANUFACTURING**  
 11 **EQUIPMENT.**

12 (a) IN GENERAL.—Section 168 (relating to acceler-  
 13 ated cost recovery system) is amended by adding at the  
 14 end thereof the following new subsection:

15 “(j) SPECIAL ALLOWANCE FOR CERTAIN EQUIPMENT  
 16 ACQUIRED AFTER 1992.—

17 “(1) ADDITIONAL ALLOWANCE.—In the case of  
 18 any qualified equipment—

19 “(A) the depreciation deduction provided  
 20 by section 167(a) for the taxable year in which  
 21 such equipment is placed in service shall include  
 22 an allowance equal to 15 percent of the ad-  
 23 justed basis of the qualified equipment, and

24 “(B) the adjusted basis of the qualified  
 25 equipment shall be reduced by the amount of

1 such deduction before computing the amount  
2 otherwise allowable as a depreciation deduction  
3 under this chapter for such taxable year and  
4 any subsequent taxable year.

5 “(2) QUALIFIED EQUIPMENT.—For purposes of  
6 this subsection—

7 “(A) IN GENERAL.—The term ‘qualified  
8 equipment’ means property to which this sec-  
9 tion applies—

10 “(i) which is section 1245 property  
11 (within the meaning of section  
12 1245(a)(3)),

13 “(ii) the original use of which com-  
14 mences with the taxpayer on or after Feb-  
15 ruary 1, 1993, and

16 “(iii) which is acquired by the tax-  
17 payer on or after February 1, 1993, but  
18 only if no written binding contract for the  
19 acquisition was in effect before January 1,  
20 1993.

21 “(B) SPECIAL RULE FOR COMPUTER SOFT-  
22 WARE.—Computer software which—

23 “(i) (I) is used to control or monitor a  
24 manufacturing process, or

“(II) is an integral part of the design  
or manufacturing process, and

“(ii) with respect to which deprecia-  
tion (or amortization in lieu of deprecia-  
tion) is allowable,

shall be treated as qualified equipment.

“(C) EXCEPTIONS.—

“(i) ALTERNATIVE DEPRECIATION  
PROPERTY.—The term ‘qualified equip-  
ment’ shall not include any property to  
which the alternative depreciation system  
under subsection (g) applies, determined—

“(I) without regard to paragraph  
(7) of subsection (g) (relating to elec-  
tion to have system apply), and

“(II) after application of section  
280F(b) (relating to listed property  
with limited business use).

“(ii) ELECTION OUT.—If a taxpayer  
makes an election under this clause with  
respect to any class of property for any  
taxable year, this subsection shall not  
apply to all property in such class placed  
in service during such taxable year.

1           “(iii) REPAIRED OR RECONSTRUCTED  
2           PROPERTY.—Except as otherwise provided  
3           in regulations, the term ‘qualified equip-  
4           ment’ shall not include any repaired or re-  
5           constructed property.

6           “(D) SPECIAL RULES RELATING TO ORIGI-  
7           NAL USE.—

8           “(i) SELF-CONSTRUCTED PROP-  
9           ERTY.—In the case of a taxpayer manufac-  
10          turing, constructing, or producing property  
11          for the taxpayer’s own use, the require-  
12          ments of clause (iii) of subparagraph (A)  
13          shall be treated as met if the taxpayer be-  
14          gins manufacturing, constructing, or pro-  
15          ducing the property after January 31,  
16          1993.

17          “(ii) SALE-LEASEBACKS.—For pur-  
18          poses of subparagraph (A)(ii), if prop-  
19          erty—

20                  “(I) is originally placed in service  
21                  on or after February 1, 1993, by a  
22                  person, and

23                  “(II) is sold and leased back by  
24                  such person within 3 months after the

1                   date such property was originally  
 2                   placed in service,  
 3                   such property shall be treated as originally  
 4                   placed in service not earlier than the date  
 5                   on which such property is used under the  
 6                   leaseback referred to in subclause (II).”

7           (b) EFFECTIVE DATE.—The amendment made by  
 8 this section apply to property placed in service on or after  
 9 February 1, 1993.

10 **SEC. 102. ADJUSTMENT IN COMPUTING ALTERNATIVE MINI-**  
 11 **MUM TAXABLE INCOME.**

12           (a) IN GENERAL.—Section 56(a)(1)(A) (relating to  
 13 depreciation) is amended by inserting immediately after  
 14 clause (ii) the following new clauses:

15                   “(iii)     ADDITIONAL     ALLOWANCE  
 16                   UNDER SECTION 168(j).—The additional al-  
 17                   lowance for qualified equipment under sec-  
 18                   tion 168(j) shall be allowed.

19                   “(iv) DEPRECIATION METHODS FOR  
 20                   CERTAIN PROPERTY PLACED IN SERVICE  
 21                   AFTER JANUARY 31, 1993.—In the case of  
 22                   property placed in service after January  
 23                   31, 1993 (other than property with respect  
 24                   to which section 168(b) (2), (3), or (5) ap-  
 25                   plies or property for which depreciation is

1           determined under section 168(g)), clause  
2           (ii) shall be applied by substituting ‘200  
3           percent’ for ‘150 percent’.”

4       (b) CONFORMING AMENDMENTS.—

5           (1) Section 56(a)(1)(A)(i) (relating to deprecia-  
6       tion adjustments) is amended by inserting “(iii), or  
7       (iv)” after “clause (ii)”.

8           (2) The flush sentence at the end of section  
9       56(a)(1)(A) is amended—

10           (A) by striking “The preceding sentence”  
11       and inserting “Clauses (ii), (iii), and (iv)”, and

12           (B) by adding at the end thereof the fol-  
13       lowing: “For purposes of clause (iv), the appli-  
14       cable recovery period shall be 80 percent of the  
15       recovery period determined under section  
16       168(g) (rounded to the nearest half year), but  
17       shall not be less than the applicable recovery  
18       period determined under section 168(c). If for  
19       purposes of the regular tax, depreciation is de-  
20       termined under section 168(g), the preceding  
21       sentence shall not apply.”

22           (3) Section 56(a)(1) is amended by adding at  
23       the end the following new subparagraph:

1           “(E) Rules similar to the rules of section  
2           168(f)(5) shall apply with respect to property  
3           described in subparagraph (A)(iv).”

4           (c) ELIMINATION OF ACE DEPRECIATION ADJUST-  
5   MENT.—Clause (i) of section 56(g)(4)(A) (relating to de-  
6   preciation adjustments for computing adjusted current  
7   earnings) is amended by adding at the end the following  
8   new sentence: “The preceding sentence shall not apply to  
9   property placed in service on or after February 1, 1993,  
10   and the depreciation deduction with respect to such prop-  
11   erty shall be determined under the rules of subsection  
12   (a)(1)(A).”

13          (d) EFFECTIVE DATES.—

14           (1) IN GENERAL.—Except as provided in para-  
15   graph (2), the amendments made by this section  
16   shall apply to property placed in service on or after  
17   February 1, 1993, in taxable years ending after such  
18   date.

19           (2) COORDINATION WITH TRANSITIONAL  
20   RULES.—The amendments made by subsection (c)  
21   shall not apply to any property to which paragraph  
22   (1) of section 56(a) of the Internal Revenue Code of  
23   1986 does not apply by reason of subparagraph  
24   (C)(i) of such paragraph (1).



1 **SEC. 103. ADJUSTMENTS TO AUTOMOBILE DEPRECIATION.**

2 (a) IN GENERAL.—Clause (i) of section 168(e)(3)(B)  
3 (relating to 5-year property) is amended to read as follows:

4 “(i) any light general purpose truck  
5 which is rated at more than 6,000 pounds  
6 gross vehicle weight,”.

7 (b) LIMITATION ON DEPRECIATION.—

8 (1) IN GENERAL.—Subparagraph (A) of section  
9 280F(a)(1) (relating to limitations on depreciation)  
10 is amended by striking clauses (i), (ii), (iii), and (iv),  
11 and inserting the following:

12 “(i) \$6,000 for the 1st taxable year in  
13 the recovery period,

14 “(ii) \$8,000 for the 2nd taxable year  
15 in the recovery period, and

16 “(iii) \$3,100 for each succeeding year  
17 in the recovery period.”

18 (2) CONFORMING AMENDMENTS.—

19 (A) Section 280F(a)(1)(B)(ii) is amended  
20 by striking “\$1,475” each place it appears in  
21 the text and heading and inserting “\$3,100”.

22 (B) Section 280F(d)(7) is amended—

23 (i) by striking “1988” and inserting  
24 “1994” in subparagraph (A), and

25 (ii) by striking “1987” and inserting  
26 “1993” in subparagraph (B)(i)(II).

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to property placed in service in  
 3 taxable years beginning after December 31, 1993.

4 **TITLE II—PROGRESSIVE**  
 5 **CAPITAL GAIN RATES**

6 **SEC. 201. PROGRESSIVE CAPITAL GAIN RATES.**

7 (a) IN GENERAL.—Section 1(h) (relating to maxi-  
 8 mum capital gains rate) is amended to read as follows:

9 “(h) PROGRESSIVE CAPITAL GAINS RATE.—

10 “(1) IN GENERAL.—If a taxpayer has qualified  
 11 capital gain for any taxable year, then the tax im-  
 12 posed by this section shall be equal to the sum of—

13 “(A) a tax computed at the rates and in  
 14 the same manner as if this subsection had not  
 15 been enacted on taxable income reduced by the  
 16 amount of qualified capital gain, plus

17 “(B) the excess (if any) of—

18 “(i) a tax computed under the sub-  
 19 stitute table on taxable income, over

20 “(ii) a tax computed under the sub-  
 21 stitute table on taxable income reduced by  
 22 the amount of qualified capital gain.

23 “(2) SUBSTITUTE TABLES.—

24 “(A) IN GENERAL.—In the case of any  
 25 taxable year ending after January 31, 1993, the

1 Secretary shall prescribe a substitute table for  
 2 each of the tables under subsections (a), (b),  
 3 (c), (d), and (e).

4 “(B) METHOD OF PRESCRIBING TABLES.—  
 5 The tables under subparagraph (A) for any tax-  
 6 able year shall be the tables in effect without  
 7 regard to this subsection, adjusted by—

8 “(i) substituting the capital gain rates  
 9 for the rates of tax contained therein, and

10 “(ii) modifying the amounts setting  
 11 forth the tax to the extent necessary to re-  
 12 flect the adjustments under clause (i).

13 “(C) CAPITAL GAIN RATES.—For purposes  
 14 of subparagraph (B)(i), the capital gain rates  
 15 shall be determined as follows:

<b>“If the rate of tax is:</b>	<b>The capital gain rate is:</b>
15 percent .....	0 percent
28 percent .....	14 percent
31 percent .....	21 percent
More than 31 percent .....	28 percent.

16 “(3) QUALIFIED CAPITAL GAIN.—For purposes  
 17 of this subsection—

18 “(A) IN GENERAL.—The term qualified  
 19 capital gain means net capital gain determined  
 20 without regard to any gain taken into account  
 21 in computing the exclusion under section 1202  
 22 (relating to gain from sale of small business  
 23 stock).

1           “(B) TRANSITION RULE.—In the case of  
2           any taxable year beginning before February 1,  
3           1993, and ending on or after such date, quali-  
4           fied capital gain shall be equal to the lesser  
5           of—

6                   “(i) net capital gain, or

7                   “(ii) net capital gain determined by  
8           taking into account only gain or loss prop-  
9           erly taken into account for the portion of  
10          the taxable year after January 31, 1993.

11         If the amount under clause (i) exceeds the  
12         amount under clause (ii) for such taxable year,  
13         the rate of tax under this section shall not ex-  
14         ceed 28 percent with respect to such excess.

15           “(C) SPECIAL RULE FOR PASS-THRU ENTI-  
16         TIES.—

17                   “(i) IN GENERAL.—In applying sub-  
18         paragraph (B) with respect to any pass-  
19         thru entity, the determination of when gain  
20         is properly taken into account shall be  
21         made at the entity level.

22                   “(ii) PASS-THRU ENTITY DEFINED.—  
23         For purposes of clause (i), the term ‘pass-  
24         thru entity’ means—

1 “(I) a regulated investment com-  
 2 pany,

3 “(II) a real estate investment  
 4 trust,

5 “(III) an S corporation,

6 “(IV) a partnership,

7 “(V) an estate or trust, and

8 “(VI) a common trust fund.”

9 (b) TREATMENT OF COLLECTIBLES.—

10 (1) IN GENERAL.—Section 1222 (defining other  
 11 terms relating to capital gains and losses) is amend-  
 12 ed by inserting after paragraph (11) the following  
 13 new paragraph:

14 “(12) SPECIAL RULE FOR COLLECTIBLES.—

15 “(A) IN GENERAL.—Any gain or loss from  
 16 the sale or exchange of a collectible shall be  
 17 treated as a short-term capital gain or loss (as  
 18 the case may be), without regard to the period  
 19 such asset was held. The preceding sentence  
 20 shall be applied to the extent the gain or loss  
 21 is taken into account in computing taxable in-  
 22 come.

23 “(B) TREATMENT OF CERTAIN SALES OF  
 24 INTEREST IN PARTNERSHIP, ETC.—For pur-  
 25 poses of subparagraph (A), any gain from the

1 sale or exchange of an interest in a partnership,  
 2 S corporation, or trust which is attributable to  
 3 unrealized appreciation in the value of collect-  
 4 ibles held by such entity shall be treated as gain  
 5 from the sale or exchange of a collectible. Rules  
 6 similar to the rules of section 751(f) shall apply  
 7 for purposes of the preceding sentence.

8 “(C) COLLECTIBLE.—For purposes of this  
 9 paragraph, the term collectible means any cap-  
 10 ital asset which is a collectible (as defined in  
 11 section 408(m) without regard to paragraph (3)  
 12 thereof).”

13 (2) CHARITABLE DEDUCTION NOT AF-  
 14 FECTED.—

15 (A) Paragraph (1) of section 170(e) is  
 16 amended by adding at the end thereof the fol-  
 17 lowing new sentence: “For purposes of this  
 18 paragraph, section 1222 shall be applied with-  
 19 out regard to paragraph (12) thereof (relating  
 20 to special rule for collectibles).”

21 (B) Clause (iv) of section 170(b)(1)(C) is  
 22 amended by inserting before the period at the  
 23 end thereof the following: “and section 1222  
 24 shall be applied without regard to paragraph

1 (12) thereof (relating to special rule for collect-  
2 ibles)’’.

3 (c) EFFECTIVE DATES.—

4 (1) IN GENERAL.—The amendment made by  
5 subsection (a) shall apply to taxable years ending  
6 after January 31, 1993.

7 (2) COLLECTIBLES.—The amendments made by  
8 subsection (b) shall apply to dispositions after Janu-  
9 ary 31, 1993.

10 **SEC. 202. INCREASE IN HOLDING PERIOD REQUIRED FOR**  
11 **LONG-TERM CAPITAL GAIN TREATMENT.**

12 (a) IN GENERAL.—

13 (1) CAPITAL GAIN.—Paragraphs (1) and (3) of  
14 section 1222 (defining other terms relating to cap-  
15 ital gains and losses) are each amended by striking  
16 “1 year” and inserting “5 years”.

17 (2) CAPITAL LOSSES.—Paragraphs (2) and (4)  
18 of section 1222 are each amended by striking “1  
19 year” and inserting “5 years”.

20 (b) CONFORMING AMENDMENTS.—The following pro-  
21 visions are each amended by striking “1 year” each place  
22 it appears and inserting “5 years”:

23 (1) Section 166(d)(1)(B).

24 (2) Section 422(a)(1).

25 (3) Section 423(a)(1).

1 (4) Section 584(c).

2 (5) Subsections (a), (b), and (c) of section 631.

3 (6) Section 642(c)(3).

4 (7) Paragraphs (1) and (2) of section 702(a).

5 (8) Section 818(b)(1).

6 (9) Section 852(b)(3)(B).

7 (10) Section 856(c)(4)(A).

8 (11) Section 857(b)(3)(B).

9 (12) Paragraphs (11) and (12) of section 1223.

10 (13) Subsections (b), (d), and subparagraph

11 (A) of subsection (e)(4) of section 1233.

12 (14) Section 1234(b)(1).

13 (15) Section 1235(a).

14 (16) Subsections (b) and (g)(2)(C) of section

15 1248.

16 (c) TECHNICAL AMENDMENTS.—

17 (1) Section 7518(g)(3)(B) is amended by strik-

18 ing “6 months” and inserting “5 years”.

19 (2) Section 1231(b)(3)(B) is amended by strik-

20 ing “12 months” and inserting “24 months”.

21 (d) EFFECTIVE DATE.—The amendments made by

22 this section shall apply to taxable years beginning after

23 December 31, 1993.



1 **SEC. 203. RECAPTURE UNDER SECTION 1250 OF TOTAL**  
2 **AMOUNT OF DEPRECIATION.**

3 (a) GENERAL RULE.—Subsections (a) and (b) of sec-  
4 tion 1250 (relating to gain from disposition of certain de-  
5 preciable realty) are amended to read as follows:

6 “(a) GENERAL RULE.—Except as otherwise provided  
7 in this section, if section 1250 property is disposed of, the  
8 lesser of—

9 “(1) the depreciation adjustments in respect of  
10 such property, or

11 “(2) the excess of—

12 “(A) the amount realized (or, in the case  
13 of a disposition other than sale, exchange, or in-  
14 voluntary conversion, the fair market value of  
15 such property), over

16 “(B) the adjusted basis of such property,  
17 shall be treated as gain which is ordinary in-  
18 come. Such gain shall be recognized notwith-  
19 standing any other provision of this subtitle.

20 “(b) DEPRECIATION ADJUSTMENTS.—For purposes  
21 of this section, the term depreciation adjustments means,  
22 in respect of any property, all adjustments attributable to  
23 periods after December 31, 1963, reflected in the adjusted  
24 basis of such property on account of deductions (whether  
25 in respect of the same or other property) allowed or allow-  
26 able to the taxpayer or to any other person for exhaustion,

1 wear and tear, obsolescence, or amortization (other than  
 2 amortization under section 168 (as in effect before its re-  
 3 peal by the Tax Reform Act of 1976), 169, 185 (as in  
 4 effect before its repeal by the Tax Reform Act of 1986),  
 5 188 (as in effect before its repeal by the Revenue Rec-  
 6 onciliation Act of 1990), 190, or 193). For purposes of  
 7 the preceding sentence, if the taxpayer can establish by  
 8 adequate records or other sufficient evidence that the  
 9 amount allowed as a deduction for any period was less  
 10 than the amount allowable, the amount taken into account  
 11 for such period shall be the amount allowed.”

12 (b) MAXIMUM RATE ON RECAPTURE AMOUNT.—Sec-  
 13 tion 1 (relating to tax imposed) is amended by adding at  
 14 the end the following new section:

15 “(i) MAXIMUM RATE OF TAX ON SECTION 1250 RE-  
 16 CAPTURE AMOUNTS.—If a taxpayer has any amount treat-  
 17 ed as ordinary income under section 1250 for any taxable  
 18 year, then the tax imposed by this section shall not exceed  
 19 the sum of—

20 “(1) a tax computed at the rates and in the  
 21 same manner as if this subsection had not been en-  
 22 acted on the greater of—

23 “(A) taxable income reduced by the  
 24 amount treated as ordinary income under sec-  
 25 tion 1250, or

1           “(B) the amount of taxable income taxed  
2           at a rate below 28 percent, plus

3           “(2) a tax of 28 percent of the amount of tax-  
4           able income in excess of the amount determined  
5           under paragraph (1).”

6           (c) LIMITATION IN CASE OF INSTALLMENT SALES.—

7           Subsection (i) of section 453 is amended—

8           (1) by striking “1250” the first place it appears  
9           and inserting “1250 (as in effect on December 31,  
10          1992)”, and

11          (2) by striking “1250” the second place it ap-  
12          pears and inserting “1250 (as so in effect)”.

13          (d) CONFORMING AMENDMENTS.—

14          (1) Subparagraph (E) of section 1250(d)(4) is  
15          amended—

16                  (A) by striking “additional depreciation”  
17                  and inserting “amount of the depreciation ad-  
18                  justments”, and

19                  (B) by striking “ADDITIONAL DEPRECIA-  
20                  TION” in the subparagraph heading and insert-  
21                  ing “DEPRECIATION ADJUSTMENTS”.

22          (2) Subparagraph (B) of section 1250(d)(6) is  
23          amended to read as follows:

24                  “(B) DEPRECIATION ADJUSTMENTS.—In  
25                  respect of any property described in subpara-

graph (A), the amount of the depreciation adjustments attributable to periods before the distribution by the partnership shall be—

“(i) the amount of gain to which subsection (a) would have applied if such property had been sold by the partnership immediately before the distribution at its fair market value at such time, reduced by

“(ii) the amount of such gain to which section 751(b) applied.”

(3) Subsection (d) of section 1250 is amended by striking paragraph (10).

(4) Section 1250 is amended by striking subsections (e) and (f) and by redesignating subsections (g) and (h) as subsections (e) and (f), respectively.

(5) Paragraph (4) of section 50(c) is amended to read as follows:

“(4) RECAPTURE OF REDUCTION.—For purposes of sections 1245 and 1250, any reduction under this subsection shall be treated as a deduction allowed for depreciation.”

(6) Clause (i) of section 267(e)(5)(D) is amended by striking “section 1250(a)(1)(B)” and inserting “section 1250(a)(1)(B) (as in effect on December 31, 1992)”.

1           (7)(A) Subsection (a) of section 291 is amended  
2       by striking paragraph (1) and redesignating para-  
3       graphs (2), (3), (4), and (5) as paragraphs (1), (2),  
4       (3), and (4), respectively.

5           (B) Subsection (c) of section 291 is amended to  
6       read as follows:

7       “(c) SPECIAL RULE FOR POLLUTION CONTROL FA-  
8       CILITIES.—Section 168 shall apply with respect to that  
9       portion of the basis of any property not taken into account  
10      under section 169 by reason of subsection (a)(4).”

11          (C) Section 291 is amended by striking sub-  
12      section (d) and redesignating subsection (e) as sub-  
13      section (d).

14          (D) Paragraph (2) of section 291(d) (as redes-  
15      ignated by subparagraph (C)) is hereby repealed.

16          (E) Subparagraph (A) of section 265(b)(3) is  
17      amended by striking “291(e)(1)(B)” and inserting  
18      “291(d)(1)(B)”.

19          (F) Subsection (c) of section 1277 is amended  
20      by striking “291(e)(1)(B)(ii)” and inserting  
21      “291(d)(1)(B)(ii)”.

22          (8) Subsection (d) of section 1017 is amended  
23      to read as follows:

24      “(d) RECAPTURE OF DEDUCTIONS.—For purposes of  
25      sections 1245 and 1250—

1           “(1) any property the basis of which is reduced  
 2           under this section and which is neither section 1245  
 3           property nor section 1250 property shall be treated  
 4           as section 1245 property, and

5           “(2) any reduction under this section shall be  
 6           treated as a deduction allowed for depreciation.”

7           (9) Paragraph (5) of section 7701(e) is amend-  
 8           ed by striking “(relating to low-income housing)”  
 9           and inserting “(as in effect on December 31,  
 10          1992)”.

11          (e) EFFECTIVE DATE.—The amendments made by  
 12          this section shall apply to dispositions after January 31,  
 13          1993, in taxable years ending after such date.

## 14           **TITLE III—RESEARCH AND** 15           **EXPERIMENTATION**

### 16          **SEC. 301. CREDIT FOR RESEARCH AND EXPERIMENTATION.**

17          (a) PERMANENT CREDIT.—Section 41 (relating to  
 18          the credit for increasing research activities) is amended  
 19          by striking subsection (h).

20          (b) CONFORMING AMENDMENT.—Paragraph (1) of  
 21          section 28(b) is amended by striking subparagraph (D).

22          (c) EFFECTIVE DATE.—The amendments made by  
 23          this section shall apply to amounts paid or incurred after  
 24          June 30, 1992.

1 **SEC. 302. ALLOCATION OF RESEARCH AND EXPERIMENTAL**  
 2 **EXPENDITURES.**

3 (a) EXTENSION.—Paragraph (5) of section 864(f)  
 4 (relating to allocation of research and experimental ex-  
 5 penditures) is amended to read as follows:

6 “(5) YEARS TO WHICH RULE APPLIES.—This  
 7 subsection shall apply to taxable years beginning  
 8 after August 1, 1989.”

9 (b) EFFECTIVE DATE.—The amendment made by  
 10 this section applies to taxable years beginning after Au-  
 11 gust 1, 1989.

12 **TITLE IV—EMPLOYER-PROVIDED**  
 13 **EDUCATIONAL ASSISTANCE**

14 **SEC. 401. EMPLOYEE EDUCATIONAL ASSISTANCE.**

15 (a) EXTENSION.—

16 (1) IN GENERAL.—Section 127 (relating to edu-  
 17 cational assistance programs) is amended by striking  
 18 subsection (d) and by redesignating subsection (e) as  
 19 subsection (d).

20 (2) CONFORMING AMENDMENT.—Paragraph (2)  
 21 of section 103(a) of the Tax Extension Act of 1991  
 22 is hereby repealed.

23 (b) INCREASE IN, AND INDEXING OF, MAXIMUM EX-  
 24 CLUSION.—

1           (1) IN GENERAL.—Paragraph (2) of section  
2       127(a) is amended by striking “\$5,250” each place  
3       it appears and inserting “\$6,000”.

4           (2) ADJUSTMENT FOR INFLATION.—Subsection  
5       (a) of section 127 is amended by adding at the end  
6       thereof the following new paragraph:

7           “(3) COST-OF-LIVING ADJUSTMENT OF MAXI-  
8       MUM EXCLUSION.—In the case of any taxable year  
9       beginning in a calendar year after 1993, the dollar  
10      amount contained in paragraph (2) shall be in-  
11      creased by an amount equal to—

12           “(A) such dollar amount, multiplied by

13           “(B) the cost-of-living adjustment deter-  
14      mined under section 1(f)(3), for the calendar  
15      year in which the taxable year begins, by sub-  
16      stituting ‘calendar year 1992’ for ‘calendar year  
17      1989’ in subparagraph (B) thereof.”

18       (c) EFFECTIVE DATE.—

19           (1) IN GENERAL.—Except as provided in para-  
20      graph (2), the amendments made by this section  
21      shall apply to taxable years beginning after Decem-  
22      ber 31, 1992.

23           (2) EXTENSION OF SECTION 127.—The amend-  
24      ments made by subsection (a) shall apply to taxable  
25      years ending after June 30, 1992.





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